

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 278 - SB 322

March 24, 2019

SUMMARY OF BILL: Effective January 1, 2020, requires the Department of Commerce and Insurance (DCI) to enter into a memorandum of understanding to develop a comprehensive healthcare information system accessible by insurers, employers, providers, purchasers of healthcare, and state agencies to review data related to healthcare utilization, expenditures and performance in Tennessee.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$433,200/FY19-20
\$866,400/FY20-21 and Subsequent Years**

Other Fiscal Impact – To the extent individual departments are required to provide healthcare information to the system, existing databases will require modifications. The increases in state expenditures associated with such modifications cannot be quantified with reasonable certainty.

Assumptions:

- Pursuant to Tenn. Code Ann. § 56-2-125(b)(1), the Commissioner of DCI shall establish and maintain an All Payer Claims Database (APCD) to enable the Commissioner of Finance and Administration (F&A) to carry out the following duties: improving the accessibility, adequacy, and affordability of patient health care and health care coverage; identifying health and healthcare needs and informing health and healthcare policy; determining the capacity and distribution of existing healthcare resources; evaluating the effectiveness of intervention programs on improving patient outcomes; reviewing costs among various treatment settings, providers and approaches; and providing publicly available information on healthcare providers' quality of care.
- As the proposed comprehensive healthcare system is substantially similar to the APCD, it is reasonably assumed that contracting a vendor to develop and maintain the system will elicit a similar impact to DCI.
- The proposed legislation authorizes DCI to seek any available federal funding for the development of the system; however, as it is unknown if any such funding will be available. It is assumed any cost to effectuate the provisions of this legislation will be paid for with state funds.

- To interact with health insurance carriers, third party administrators, pharmacy benefit managers, and other entities managing medical behavioral health, pharmacy claims, regulations, to ensure the encryption of protected health information and personally identifiable information, and to collect and process data from health care carriers, DCI procured a contract to implement and maintain the database.
- The three-year contract cost DCI an average of \$866,389 per year.
- Given the effective date of January 1, 2020, FY19-20 impact is estimated to be 50 percent of the first full-year impact, or \$433,195.
- A recurring increase in state expenditures, in FY20-21 and subsequent years, of 866,389.
- Pursuant to Tenn. Code Ann. §56-2-125(2)(B), use of the APCD is authorized for F&A, Department of Health (DOH), Department of Mental Health and Substance Abuse Services (DMHSAA), Department of Intellectual and Developmental Disabilities (DIDD), and other departments of state government.
- The proposed legislation is unclear as to which state departments would be required to provide data to the system.
- To the extent individual departments are required to provide healthcare information and integrate existing databases to the proposed system, additional costs will be incurred for modifications. Until the scope of the system has been implemented, additional expenditures for departments that would be required to provide information, assumedly the aforementioned that are authorized to utilize the APCD, cannot be estimated with any reasonable certainty.

IMPACT TO COMMERCE:

Increase Business Revenue - \$433,200/FY19-20

\$866,400/FY20-21 and Subsequent Years

Increase Business Expenditures -

Less than \$433,200/FY19-20

Less than \$866,400/FY20-21 and Subsequent Years

Assumptions:

- Business revenue will increase for the contracted vendor chosen to implement and maintain the healthcare information system.
- An estimated increase in business revenue of \$433,195 in FY19-20.
- An estimated recurring increase in business revenue of \$866,389 in FY20-21 and subsequent years.
- The increase in business expenditures incurred by such vendor for implementation and maintenance of the healthcare information system is estimated to be less than the vendor's increase in revenue such that the vendor can remain solvent.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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